

## **FINANCE DEPARTMENT**

William R. Scollins, III (Randy)

Finance Director / Town Accountant

### **Overview**

The Finance Department is comprised of five areas, staffed with 9 full time and 2 part-time personnel, responsible for a variety of financial and technical functions as follows:

### **Administration Division**

The Administration Division, staffed by Finance Director / Town Accountant Randy Scollins, is responsible for day-to-day operational oversight and management of the Finance Department.

The Finance Director also provides financial and general support to, and/or served on, multiple committees over the past year including the following: Advisory Committee; Audit Committee; Board of Assessors; Board of Selectmen; Cable Television Advisory Committee; Capital Improvement Planning Committee; Employee Insurance Advisory Committee; Sewer Sub-Committee; Town Asset Review Committee; as well as various municipal union bargaining committees.

Fiscal 2009 was a financial roller coaster of a year with regard to the changing State Aid situation. The year started out with a net \$924 thousand increase from FY '08, which was needed just to balance the budget. Then after one quarter into the year, State Aid was cut by over \$180 thousand due to the darkening financial situation for the State. We adjusted budgets accordingly for that cut. Then late in the third quarter we were informed that the State would have to cut the Town's aid by an additional \$890 thousand. This would have been a devastating blow to the Town, had it not been for the State's decision to cover this fiscal '09 shortfall with Federal Stimulus Aid that the State had planned to use in fiscal 2011 for cities and towns. The mechanics of applying for and receiving the Federal Aid were complicated. Thank you to the School Administration and our Accounting office for their timely accommodation of the necessary regulatory mechanics.

Another major focus was the administration of, and fiduciary guidance for, the FY 2010 budget process. (*The Town's fiscal year ends in June.*) The Town was able to initially balance its \$54.13 million operating budget (*a \$2.84MM, or 5.5%, increase over FY 2009*) primarily due to \$2.9 million in estimated new growth taxes (*representing the second consecutive new growth tax record year for the*

*Town*) and no new major spending or program initiatives. The increase in the budget only reflects the cost of covering FY '09 expenses and contracts in FY '10. The Town initially absorbed a \$481 thousand year-over-year decrease in State Aid with \$615 thousand in Federal Stimulus Aid.

However, due to the continued revenue challenges at the State level, the final State Aid budget was \$249 thousand less than the estimates available at the time the Town voted its budget. Federal Stimulus Aid to the Town was also cut another \$90 thousand. Then, the Governor again made mid year State Aid reductions to the FY '10 budget which cut another \$48 thousand from the Town's planned revenues. In response to the \$387 thousand in State & Federal Aid revenue reductions and other downward revisions to estimated new growth taxes, the Municipal and School departments agreed to reduce expenses by \$537 thousand in order to achieve balance.

As the recent experience of fiscal 2009 & 2010 indicates, the unpredictability of State Aid revenue continues to be a concern. Net State Aid (gross State Aid revenues less State assessments) funds about 20% of all General Fund budgets for the Town of Foxborough. Net State Aid in FY '10 was \$9.46 million. Fluctuations in this revenue stream have significant impacts on the Town's ability to sustain and fund services.

The Town's net State Aid peaked in FY '01 and then endured three consecutive years of substantial declines. Although net State Aid started to increase in FY '05, yet declined again in FY '09, the cumulative year-to-year changes from FY '01 to FY '10 is a net loss of over \$1.5 million. On an inflation adjusted basis the Town has endured a net loss of over \$13 million in State revenue since FY '01. In FY '10 the Town is still \$1.3 million below the FY '01 net State Aid level on an inflation adjusted basis. These are real, substantial and sustained revenue declines with real and negative impacts on the Town's finances. Consequently, the Town continues to struggle to sustain, improve, and in many cases, just return to prior service levels provided to the community.

The FY '10 General Fund operating budget of \$49.2 million reflects a \$1.5 million reliance on Free Cash. This is a \$12 thousand increase over FY '09. So this reliance was relatively flat. A declining reliance is more desirable. Also in FY '10 the Town was able to fund its General Fund capital improvement needs totaling \$1.392 million, excluding the High School Renovation, primarily from \$971 thousand in free

cash and \$421 thousand from other available sources, avoiding the need to borrow for basic capital needs. In essence the Town was able to continue to stabilize its financial condition somewhat in FY '10, and continue to fund its significantly backlogged capital needs with current resources. This was the way the Town had operated before the State Aid reductions. It continues to be a positive for the Town that we have been able to flex back to the prudent financial management practices that were followed prior to the dramatic state aid reductions.

The voters generously approved a sorely needed major repair and renovation of the Town's High School via a debt exclusion. This project competed against hundreds of school projects across the state and was ultimately selected for funding by the Massachusetts School Building Authority (MSBA) under their new, and extremely rigorous, vetting process. Kudos to the Town's Building Committee and the School Administration for making such a strong and convincing case. The budgeted cost for the project is \$19.94 million. However the MSBA will fund up to \$9.38 million. The Town issued 20 year bonds for \$10.4 million for its share in August of 2009, at the very favorable rate of 3.35%. To complete the funding for this project, the Town had previously voted \$168 thousand from available funds.

The Town continued, for the thirteenth straight year, to rely on taxing to the levy limit allowed under Proposition 2 ½. 91.7%, or \$1.99 million, of the \$2.18 million increase to the General Fund budgets was due to increases in three departments: School = \$1.355 million; Health Insurances = \$407 thousand; and Fire = \$233 thousand. These increases, combined with relatively depressed State Aid levels, continue to add to the significant downward pressure on all other operating budgets.

As we enter the FY 2011 budget process we are facing the prospect of State Aid being reduced yet again as the State finds itself in the same financial bind as the rest of country. Although the Governor has initially proposed level State Aid funding to cities and towns, it is not supported by legislative leaders due to the State's \$3 billion structural deficit. So yet again, the Town will most likely have to continue to "hunker down" by eliminating new operating spending service initiatives as well as prudently using the resources the Town has to sustain services for the expected lengthy duration of this economic down turn. As a result the Town can continue to expect to face significant funding challenges as it strives to return to prior service levels.

A recommendation by this office to reduce Trash bills for three years was accepted by the Board of Selectmen in mid 2009. The Solid Waste Enterprise Fund had built up a surplus of over \$400,000. Also, a new three year trash contract was entered into which eliminated near term uncertainty about future costs. After analyzing the next three years' revenues and expenses for this fund it was determined that we could reduce Trash Bills for the next 3 years. Based on these estimates, the recommendation was accepted to reduce the Annual Trash Bill from \$180 to \$160, or by \$20, effective with the July 2009 bill. This will effectively return the surplus to the trash customers / residents. The surplus had resulted from a combination of factors:

- Reduced frequency of billing from quarterly (4) to bi-annually (2);
- Brought billing & collection "in house", leveraging the new financial system; and
- Residents are recycling at very high rates, resulting in reduced disposal costs

Residents are already seeing reduced costs through their recycling efforts by needing fewer bags & tags. The annual bag & tag savings for residents is estimated to equal the trash bill reduction. Depending on the amount of disposal cost savings American Waste Services can provide in years two and three of the new contract, trash bills may have to increase in year four, or FY 2013.

#### **Assessing Division**

The Assessing Division is staffed by Chief Assessor Hannelore Simonds, Assistant Assessing Officer Deborah Cochrane and Assessing Clerk Kelly Blair.

The division's primary responsibility is for real and personal property valuation which is the basis for levying the property tax. Valuations are established following state guidelines and are then certified by the Massachusetts Department of Revenue's (DOR) Bureau of Local Assessment (BLA).

The Massachusetts DOR certified the FY 2009 tax values and rates in September of 2008.

The FY 2009 certified values are summarized as follows:

#### **FY 2009 Property Values:**

Residential	\$ 2,076,563,832	75.96 %
Commercial	503,179,568	18.41 %
Industrial	82,496,000	3.02 %
Personal	<u>71,593,300</u>	<u>2.62 %</u>
	<u>\$ 2,733,832,700</u>	<u>100.00 %</u>

New growth capture provided property valuation increases of \$107.64 million and an increase of \$1.15 million in new tax revenues. The FY 2009 levy limit calculation is presented below:

FY 2008 Levy Limit	\$ 26,708,080
Allowable 2.5% Increase	667,702
New Growth	<u>1,146,391</u>
FY 2009 Levy Limit	\$ 28,522,173
Add Debt Exclusions	<u>1,305,765</u>
Maximum Allowable Levy	\$ 29,827,938

Unused FY 2009 Levy \$ 1,823

Actual FY 2009 Tax Levy \$ 29,826,115

The resulting tax rate per \$1,000 in assessed value for FY 2009 was \$10.91.

The unused tax levy is solely the function of tax rates being calculated out to only two decimal places, as required by the Department of Revenue. This will almost always result in some amount less than one tenth of one percent of the maximum allowable levy being unused in a given year. As a result of the continuing funding challenges, the trend of taxing to the levy limit will likely continue.

The Board of Selectmen held the FY '09 Classification Hearing, as required annually of all municipalities by the Department of Revenue. The purpose is to vote on either a single tax rate for all classes of property or to have a "split" tax rate, i.e., a higher rate for business and a lower rate for residential. The Board of Selectmen accepted the Board of Assessors' recommendation to maintain a single tax rate. Although eight area towns have adopted a split rate, a single rate in Foxborough is deemed an important ingredient to continue to stimulate commercial development, which does take some pressure off of residential tax payers.

The new state of the art Vision mass appraisal software system installed in 2008, as required by the DOR, was further refined in 2009 as the office worked to add digital images and electronic sketches of all properties. The system is being fully leveraged during the FY 2010 triennial revaluation to support all of the sophisticated analysis the DOR requires. Property owners may see some changes in how their properties are valued once FY '10 property values are finalized and certified by the DOR. This is due to the fact that the Assessor's office is now able to capture and incorporate data elements more easily into the value equation than was possible with the replaced 20 year old system. The end result will be fairer values

and therefore, a more equitable distribution of the tax levy.

In addition to learning the new mass appraisal system, the support staff was busy during the year updating property records, processing deeds and permits, as well as managing the various abatement and exemption programs. The staff also manages motor vehicle excise tax administration. The re-listing of all property, required every ten years, is also ongoing.

### **Accounting Division**

The Accounting Division, staffed by Assistant Accounting Officer Jodi Cuneo, and Accounts Payable Clerk Lorraine Donovan, continues to devote much of their effort to weekly expenditure controls. They are extremely thorough in ensuring, as per their authority, that every town wide invoice is compliant with the state's strict procurement laws and that payrolls are compliant with Town contracts and by-laws. All town wide expenditure requests are processed weekly in development of the weekly payroll and expenditure warrants.

The Assistant Accounting Officer performs multiple weekly and monthly reconciliations to ensure that the Town's general ledger and all of its funds and subsidiary ledgers are accurate, balanced and compliant with DOR requirements. The division reviews budget to actual variances, manages encumbrances and reports on all ledgers monthly. They provide regular reporting to departments and ably assist all town wide departments with many accounting matters throughout the year.

In addition to the regular and considerable accounting duties, the Assistant Accounting Officer manages town wide administration of fuel and telephone allocations, sick and vacation time tracking, worker's compensation and related annual audits, unemployment, self-insurance, off duty police and fire detail payroll, grants and betterments.

The Assistant Accounting Officer also provides exceptional budget process support by compiling, organizing, proofing, copying, and updating all budget requests and ultimately entering all approved budgets into the accounting system.

The division is required to submit many and various comprehensive financial reports throughout the year to the Department of Revenue. One critical report, Schedule A, is required in order to continue receiving the Town's State Aid and another is required to certify the Town's available funds, i.e. "Free Cash",

before they can be appropriated. The division is very diligent in working to meet these time sensitive deadlines. Timely reporting support for education costs incurred in non-education budgets is also provided to the School Department for their important annual report to the Dept. of Education.

The Town has a contract with the firm of R. E. Brown & Co., a firm that audits only municipalities in Massachusetts. The Town received a clean audit opinion for FY 2008. A copy is on file for public inspection, as well as on the Town's website at [www.Foxboroughma.gov](http://www.Foxboroughma.gov) on the Finance Administration page. We are currently in the process of finalizing the FY 2009 audit. Unaudited preliminary FY 2009 statements can be found in the back of this publication.

FY 2009 will be the seventh year the Town has issued financial statements that are compliant with Governmental Accounting Standards Board (GASB) statement No. 34 (GASB 34). This is a dramatic financial reporting change for all state and municipal governments nationwide and has contributed to a delay in their annual development in Foxborough due to substantially increased reporting and complexity combined with limited accounting staff.

This reporting model moves away from a partial accrual model to a full accrual model. A management discussion and analysis section covering GASB specified topics is also a requirement. Further, capital assets, including infrastructure assets, are now included, as well as associated depreciation.

Another major GASB pronouncement impacting all municipalities nationwide is GASB 45. The Town is required to hire an actuary to calculate the full liability associated with retiree health benefits. That liability was calculated to be \$62.2 million on a pay-as-you-go basis, or \$30.6 million if were to adopt a full pre-funding approach. The liability is amortized over 30 years. The actuarial report and executive summary materials are available on the Town's website, at [www.foxboroughma.gov](http://www.foxboroughma.gov) on the Audit Committee home page. The result will be included, on a phased in basis, in the Town's financial statements and actuarially updated every two years, at the Town's cost.

Although the Town's unfunded actuarial liability (UAL) compares very favorably to other cities and towns, according to the actuarial consultant, the liability is real, large and should be managed prudently so as to not jeopardize the Town's excellent credit rating or its financial stability. The

common benchmark used to compare the size of one town's UAL to another is the ratio of the UAL divided by the Annual Covered Payroll. The Town's ratio is 104.8% on a full pre-funded basis, 212.7% on a pay-as-you-go basis. The actuarial consultant has found the norm to be about 161% and 313%, respectively. Foxborough's favorable ratio is attributed to the less costly attributes of the health plan, including the share of premium split and the mandatory Medicare enrollment at age 65. The Audit Committee has several suggestions for the Board of Selectmen to consider (*see the executive summary document titled "Health Plan Offering Strategies" on the Audit Committee page of the Town's website*) that are focused on reducing the UAL.

### **Revenue Division**

The Revenue Division is led by Treasurer / Collector Lisa Sinkus and is staffed by Assistant Revenue Officer Rebecca Marcoux, full-time clerk Jessica Minton and part-time clerk Emily Johnson.

2009 was a year of significant transition for the Revenue Division. However it was all managed with excellent planning and professionalism. It was Lisa's first year as the Revenue Officer, after having been promoted into the position following Vivian Pitt's retirement after 31 years of excellent Town service. While juggling both roles as the Assistant Revenue Officer and the Revenue Officer, Lisa was able to hire two outstanding individuals to fill vacant positions. First, Rebecca was hired for the Assistant Revenue Officer position. Rebecca brings a tremendous skill set to the office including her years in the banking industry. Then, after Judy Hertel retired as the part-time clerk (*thank you Judy for your service to the Town and we wish you a happy & healthy retirement*), Lisa was fortunate to hire Emily, an extremely bright and talented Wheaton College recent graduate. We are so fortunate to have Rebecca and Emily on the Finance team! Meanwhile Jessica timed the birth of her twin boys to the week after Jessica and Emily were both on board. Thanks for holding on Jess, and congratulations to you for having the only Town Hall babies ever!

The division is responsible for management and oversight of the Town's cash, debt, billing and collections, vendor payments, as well as Town wide benefits administration and payroll.

The Revenue Division relies on automation in order to manage an increasing workload within its reduced staffing. The division worked hard at leveraging all low to no cost automation options across its operations over the last year.

Specifically, the on-line payment option for motor vehicle excise tax, real estate and personal property tax, and semi-annual trash fees continues to be offered through the Town's website [www.foxboroughma.gov](http://www.foxboroughma.gov). Although it is being used successfully by many, to be frank, we are disappointed by the low level of utilization. It is a safe and convenient way to pay these bills via a bank debit. There is no cost to use this service. One can even set the date they want the payment to be deducted from their bank account and avoid any risk of having a late payment. However, for those that pay these bills electronically, the vast majority use their own bank's online check service. When doing this, because the remittance is not sent when paying like that, our lock-box service can't process the payment and that results in higher processing costs and more labor intensive work for this office. More frustrating for the bill payer is that many will not send their payment until too close to the due date, and due to the bill payers' bank's slow processing and the very manual nature of processing these payments once received, the bill payer can be subject to late fees and interest. So we strongly urge bill payers to use the free, safe, convenient and very efficient on-line bill payment service available through the Town's website.

The Collector's office is in its third year of using a "lock box" service for tax, water, sewer and trash remittances that are mailed by tax and rate payers. This service has a very minimal cost to the Town, yet allows for payments to be processed more rapidly by a third party and deposited in the Town's bank more quickly. Due to water bills now having to be issued quarterly versus twice per year, this was a necessary measure in order to manage a doubling of collections. The other option would have been to hire more staff, but lock-box costs are a small fraction of hiring a staff person and therefore the most economical choice.

The Collector continues to utilize deputy collector (for delinquent taxes) Kelley & Ryan. Kelley & Ryan is the dominant deputy collector for Massachusetts municipalities. They have direct links with the Registry of Motor Vehicles database and have offices in many of the Registry's branches. Their significant investment in internet technology, accessible by the Town, has streamlined the process of resolving and ultimately collecting delinquent Motor Vehicle Excise taxes.

The Town had one major permanent financing in FY '09 and a major bond offering at the beginning of FY '10. The Town converted its construction financing

for the Witch Pond Well project to permanent financing in the Spring of 2009 through the Massachusetts Water Pollution Abatement Trust (MWPAT). The Water Enterprise permanently bonded \$4.3 million with the MWPAT at the low State subsidized rate of 2.075%. The Town also issued 20 year bonds for \$10.4 million for its share of the High School Renovation project in August of 2009, at the very favorable rate of 3.35%.

The Town's credit rating was upgraded two notches from Aa3 under Moody's rating system to AA+ under Standard and Poors'. This office decided to seek a rating from an agency that had not rated the Town before in order to have a fresh set of eyes analyze the Town's financial condition. The Town was in a particularly strong position at the time of the rating with its reserve balances and growing commercial tax base. We anticipated that an upgrade was warranted. The higher rating resulted in hundreds of thousands of dollars in interest costs being saved on the High School bonds.

The AA+ is an elite rating shared by only about 13 Massachusetts communities at the time. At the time only 13 other communities had the highest AAA rating. That higher rating will remain elusive for Foxborough as there are socioeconomic factors that play a large part in achieving the highest rating. "AA" ratings are termed "Excellent". "AAA" ratings are termed "Superior", "A" ratings are termed "Upper Medium", and "Baa" ratings are termed "Medium". Ratings below this are not investment grade. Numbers from 1 to 3, or the signs "+" or "-", attached to the rating are sub-levels within the rating, with "1" and "+" being the highest.

Total general treasury activity for FY 2009, capturing the flow of all Town funds, including payroll, expenses, grants, federal and state aid, bond proceeds and payments, and trust fund activity is summarized as follows:

Balance as of 07/01/08	\$ 22,426,709
Gross Receipts	66,109,797
Gross Disbursements	<u>(68,188,649)</u>
Balance as of 06/30/09	<u>\$ 20,347,857</u>

FY 2009 investment earnings on cash balances declined again as remaining borrowing proceeds for the Joint Public Safety Building project were spent. Also, interest rates in FY '09 continued to remain at very low levels. Mindful of the recent turmoil in the banking industry, the Treasurer was extremely diligent in ensuring that all deposits were in the strongest and highest rated banks, consistent with the

higher priorities of all treasurers - safety and liquidity. Given the extra risk in the banking industry today, the Town has gravitated towards collateralized deposit agreements.

Foxborough's property tax collection performance declined by 26 basis points in FY 2009. 1.84%, or \$549.2 thousand, of property taxes were outstanding at fiscal year end. Unfortunately, tax liens and foreclosure on prior year's balances have increased again by \$99 thousand in FY '09, reflecting the continued difficulties experienced by Foxborough property owners. This increase in tax liens follows a \$94 thousand increase in these accounts in FY '08. Increases in the Town's tax receivables balances results in a dollar for dollar reduction in the Town's free cash certification.

The Treasurer awaits the recommendations of the Town Asset Review Committee (TARC) regarding a public auction or sale of tax possession properties. The TARC is reviewing these parcels along with all other Town owned parcels. The Treasurer has provided information regarding all tax possession parcels with the understanding that the TARC is preparing to put these parcels back onto the tax roles, where they were originally, as well as provide needed one-time funding for one-time Town needs.

### **Information Services Division**

The Information Services Division, responsible for all hardware and application software in use at the Town Hall and other municipal buildings, has been significantly stabilized in 2009. The focus this past year was to understand and document all technology in place in support of municipal (non-school) operations. This was completed with the help of a consultant, as we currently have no dedicated staff for this division while we prepare for a transition to a centralized support model.

In the process many inefficiencies and outdated technologies were uncovered and replaced. As a result support issues have been significantly reduced and technology tools and equipment have been brought up to "current vintage". We still have a few stabilizing initiatives to complete, but we have made excellent progress with the support of the School I.S. Director and his staff.

We have explored a more efficient support structure for all Town systems with the School Administration and the School I.S. Director. We are in the process of finalizing the details of the support requirements to move to a centralized support model. In the mean time, the School I.S. staff has begun to support the

municipal operations over the past year. To enable that to happen, the School I.S. department hired another I.S. professional to complement their team and that addition is being funded from this budget, as we have not filled our I.S. Director position and we do not plan to.

With this past year's focus on stabilizing systems and system support, we have not been able to focus on advancing or improving our system tools as we had hoped. There remain several system enhancements, both municipal and Town-wide that we would like to pursue to improve employee efficiencies and ultimately service to residents. Upon finalizing the centralized support model, we look to expand on our significant achievements in automated efficiencies for the administration of Town government and the services provided.

We did launch the newly redesigned Town of Foxborough website in March of 2009. Our new government web address is [www.foxboroughma.gov](http://www.foxboroughma.gov). This site is designed to deliver a much higher level of service to the entire community and we encourage all to visit often to take advantage of the exciting features offered, such as meeting calendars, opt-in email updates when new content is published, meeting minutes, departmental forms and information, pages for every Town department and every Town board and committee, and a non-profit community groups portal. We have continued to add content through out the year to make the site quite useful, including: zoning and general bylaws; on-line payments; departmental budgets; and so much more. Be sure to visit at least once, you're sure to be back.

### **In Summary**

The Foxborough Finance Department is proud to be able to deliver the level of services it does with the resources provided. The department is committed to providing quality service to our customers and tax payers every day. We welcome public comments, questions and constructive feedback.

Thank you to the entire Finance team, veteran and new member alike, for all of your efforts and dedication throughout the year. Special thanks to Paul and Rich and the entire School I.S. team in their support of municipal operations. We are better and stronger thanks to your excellent partnership with us.